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SUBJECT: ROMANIA: TOURISM GROWING, BUT FALLING SHORT OF POTENTIAL

Sensitive but Unclassified; not for Internet Distribution.

SUMMARY

¶1. (SBU) Romania offers travelers an intriguing if complicated mix of stunning scenery and rich culture and history, juxtaposed with generally poor infrastructure, widespread litter, and often-disappointing service quality. Industry experts say that although the travel and tourism sector is expanding, mainly driven by business travel, growth is far below potential. Leisure tourism growth is slow and inconsistent, primarily due to the absence of an international promotional strategy and haphazard development planning. Underreporting of business activities in the hospitality industry makes it difficult to quantify the exact contribution of tourism to GDP. Experts concur that a strategy for addressing these problems should begin with greater inter-governmental agency coordination and a greater awareness of the economic importance of travel and tourism. End Summary.

ENORMOUS TOURISM POTENTIAL...

¶2. (U) Romania is blessed with incredible natural, cultural, and historical attractions. Natural features include the majestic Carpathian Mountains, the Danube Delta Biosphere Reserve, and 152 miles of the Black Sea coast. There are six UNESCO World Heritage Sites, impressive medieval castles and fortresses, and many picturesque rural villages where traditional ways of life seem little changed from centuries past. Major Romanian cities are connected by a good domestic air network and by the fourth largest rail network in Europe. Young Romanians tend to be conversant in several foreign languages, typically English, French, and Italian.

¶3. (U) Business travel is an important segment of Romanian travel and tourism, driven primarily by strong inward investment flows and the corresponding increase in foreign businesses with facilities in Romania. In Bucharest, 90 percent of travel and tourism is business-related, of which 60 percent is comprised of international business visitors, according to tourism association reports. Over 50 percent of international business travelers stay at one of six existing four- and five-star hotels, with a total capacity of 1,467 rooms. The World Travel and Tourism Council (WTTC) estimates that Romanian business tourism will grow by 20 percent in 2008, compared with an overall tourism growth forecast of 7.9 percent.

...BUT SERIOUS CHALLENGES

¶4. (U) Despite these attractions, there are serious handicaps that are keeping Romania from realizing its full potential in attracting foreign tourists, particularly in leisure travel. The main problem areas were identified in a "Master Plan" for Romania drafted by the United Nations World Tourism Organization (WTO) at the behest of the Government of Romania (GOR) and released in early 2008. Pollution, including Communist-era industrial ruins dotting the landscape and a major litter problem brought on by societal indifference and poor waste management, is one serious deterrent. Infrastructure, chiefly poor road quality and the lack of trans-European highways, is another concern. There is a general lack of awareness among Romanians of the importance of tourism and its potential for their economy, which manifests itself in the dearth of Tourism Information

Centers and signage to tourist sites. The Tourism Sector Committee of the American Chamber of Commerce in Bucharest tells post that it concurs with the Plan's conclusions, but notes that the Plan contains only voluntary targets and is not binding on the GOR.

15. (SBU) In a July 3, 2008 meeting with EconOff, Paul Marasoiu, President and CEO of the tourism consultancy company Peacock Hotels/Global Hotel Management, echoed the above list of problems. He added that the principal problem in his view is a lack of attention and resources devoted to tourism by the Ministry of Small and Medium Sized Enterprises, Trade, Tourism, and Liberal Professions. Marasoiu said the fact that tourism is lumped into a single ministry with so many other agencies and responsibilities is an indication of the low regard in which it is held by the GOR. Marasoiu complained that the tourism authority has suffered repeated changes in management and the ministry under which it is subordinated. He added that the GOR earmarks significantly smaller budgets (3-4 million euro a year) for tourism promotion than do regional competitors Hungary, Bulgaria, and Turkey.

16. (U) The GOR's lack of clear tourism policies has also come under fire from both the WTO and the AmCham Tourism Committee. One of the Master Plan's primary criticisms is that the GOR has failed to produce a strong, positive brand for Romania as a tourism destination. The AmCham Committee consensus is that there is a lack of marketing, planning, and research at the national level, and tourism offices abroad are ineffectual due to low staffing. Current promotional activities, such as international tourist offices, fairs, and advertising, are poorly coordinated and scattershot, according to the Master Plan. Additionally, use of the internet for information, promotion, and reservations is underdeveloped, and Romania is not well represented on tourism websites.

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BETTER PLANNING NEEDS BETTER STATISTICS

17. (SBU) The GOR does not fare much better in tourism development planning, which is fragmented and uncoordinated, according to the Master Plan. Informal, unauthorized development projects; over-development in ecologically sensitive tourist areas; discordant architectural design; and sub-standard support infrastructure, such as parking and toilets, are threats to future growth that have arisen through haphazard planning. The Master Plan cites poorly defined responsibilities and coordination between the national, regional/county, and local/urban planning authorities as the underlying causes.

18. (SBU) Local media challenged the veracity of tourism statistics after the National Statistics Institute (INS) issued a yearly tourism report in January 2008. The key media claim - that many hotels and rural inns do not report much of their activities to the INS in an attempt to conceal earnings and wages - was substantiated by industry association representatives in discussions with EconOff. Marasoiu said that the official statistics are meaningless, and that hotels at all levels underreport activity. This makes accurate research and planning all the more difficult for tourism authorities.

DEVELOPMENT OPPORTUNITIES

19. (U) The State Secretary for Tourism in the Ministry for SMEs, Trade, Tourism, and Liberal Professions, Lucia Morariu, told EconOff in a July 14 meeting that the biggest missing piece in the tourist sector is a major convention center. The Master Plan, Peacock's Marasoiu, and the AmCham Tourism Committee members all identified a modern conference center, able to host up to 10,000 participants, as a top priority to raise Bucharest's profile as a major business travel and tourism destination.

110. (U) There is also a strong need for additional hotel capacity, particularly in the four- and five-star range. According to Marasoiu, Bucharest loses five to ten major (defined as over 3,000 visitors) events a year due to a shortage of rooms. The Master Plan reports that there is a major imbalance between the current room capacity and future demands: there is an immediate demand for more

four- and five-star hotels; there are ample mid-level (two- and three-star) hotels to meet forecasted demand until 2020; and there is a huge oversupply of lower-grade accommodations. According to Marasoiu and to WTTC studies, international chains looking at expanding into Romania include Kempinsky, Hyatt, Starwood, Le Meridian, and Sheraton. Marasoiu said that these chains typically build larger capacity (250-400 rooms) four- and five-star hotels. However, State Secretary Morariu told EconOff that none of them has formally approached the authorities with firm plans so far.

COMMENT

¶11. (SBU) With the Romanian economy facing many continuing challenges as it integrates into the EU, it is clear that tourism is suffering from a lack of attention. The tourism agency within the Ministry of SMEs and Trade is still trying to digest the 700-page WTO Master Plan months after its release. State Secretary Morariu's statements in the July 14 meeting indicate that she considers most of the problems confronting the sector, such as infrastructure and environmental degradation, to be outside the Ministry's domain, and that there are no inter-agency mechanisms in place to address the problems. Nearly every stakeholder EconOff met with expressed pessimism that the Master Plan would be implemented, given its size, lengthy list of problems, and the extensive coordination it would require among GOR agencies and with the private sector. The AmCham Tourism Committee, with post's cooperation, is engaging with the GOR to help it prioritize a list of actions for the short and medium term. Chief among these would be a request for greater inter-agency coordination and a greater recognition of the economic importance of tourism. End Comment.

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